

Single Audit Reports June 30, 2003

Single Audit Reports Year ended June 30, 2003

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and Members of the City Council City of Tempe, Arizona:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tempe, Arizona, as of and for the year ended June 30, 2003, and have issued our report thereon dated October 31, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether City of Tempe's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Tempe's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the City of Tempe in a separate letter dated October 31, 2003.





The Honorable Mayor and Members of the City Council City of Tempe, Arizona
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This report is intended for the information and use of the Honorable Mayor, Members of the City Council, City management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 31, 2003



KPMG LLP Suite 1100 One Arizona Center 400 East Van Buren Street Phoenix, AZ 85004

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Mayor and Members of the City Council City of Tempe, Arizona:

Compliance

We have audited the compliance of City of Tempe, Arizona with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. City of Tempe's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Tempe's management. Our responsibility is to express an opinion on City of Tempe's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Tempe's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Tempe's compliance with those requirements.

In our opinion, City of Tempe complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 03-01 through 03-02.



The Honorable Mayor and Members of the City Council City of Tempe, Arizona Page 2

Internal Control Over Compliance

The management of City of Tempe is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Tempe's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Tempe, Arizona, as of and for the year ended June 30, 2003, and have issued our report dated October 31, 2003. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements.

This report is intended for the information and use of the Honorable Mayor, Members of City Council, City management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 31, 2003

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

(1) Summary of Auditors' Results

- (a) The type of report issued on the financial statements: Unqualified Opinion.
- (b) Reportable conditions in internal control were disclosed by the audit of the financial statements: None reported; Material weaknesses: None.
- (c) Noncompliance which is material to the financial statements: None noted.
- (d) Reportable conditions in internal control over major programs: None reported.
- (e) The type of report issued on compliance for major programs: Unqualified Opinion.
- (f) Any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133: None.
- (g) Major programs:
 - U.S. Department of Housing and Urban Development:
 - Section 8 Housing Choice Vouchers (CFDA No. 14.871)
 - Home Investment Partnerships Program (CFDA No. 14.239)
 - U.S. Department of Justice:
 - Local Law Enforcement Block Grant (CFDA No. 16.592)
 - U.S. Department of Transportation:
 - Federal Transit Formula Grants (Urbanized Area Formula Program) (CFDA No. 20.507)
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$397,000.
- (i) Auditee qualified as a low-risk auditee under Section .530 of OMB Circular A-133: Yes.
- (2) Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards

None noted.

Schedule of Findings and Questioned Costs, Continued Year ended June 30, 2003

(3) Findings and Recommendations Relating to Federal Awards

Federal Grantor/
Pass-Through Grantor
Program Title/CFDA
<u>Number</u>

Finding

Questioned Cost

03-01

U.S. Department of Justice, Local Law Enforcement Block Grant (CFDA No. 16.592) While testing reporting requirements for the Local Law Enforcement Block Grant, we noted that the December 31, 2002 Financial Status Reports, which are required to be filed within 45 days after the end of each quarter, were not filed within the time requirements of the grant.

We recommend that the City establish procedures to help ensure that all reports are filed on a timely basis to remain in compliance with the grant requirements.

03-02

U.S. Department of Justice, Local Law Enforcement Block Grant (CFDA No. 16.592) While testing reporting requirements for the Local Law Enforcement Block Grant, we noted that the December 31, 2002 Financial Status Report for one of the grants reported expenditures for the wrong time period.

We recommend that the City staff ensure that reports submitted to the U.S. Department of Justice be accurate.

· CITY OF TEMPE, ARIZONA SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2003

Federal Grantor/Program Title (NOTE 2)	CFDA Number (NOTE 2)	DeptID	Pass- Through Grantor (NOTE 3)	Contract Number	Expenditures
Department of Housing and Urban Development Section 8 Housing Choice Vouchers	14.871	2773	N/A	SF-511V	\$ 7,230,855 *
Community Development Block Grant Community Development Block Grant Community Development Block Grant Total CFDA 14.218	14,218 14,218 14,218	2767/2768/2769 2767/2768/2769 2767/2768/2769	N/A N/A N/A	B-00-MC-04-0504 B-01-MC-04-0504 B-02-MC-04-0504	712,275 108,782 1,484,275 2,305,332
Home Program Home Program Home Program Total CFDA 14.239	14,239 14,239 14,239	2764 2761 2762	MCHC MCHC MCHC	M-00-DC-04-0227 M-01-DC-04-0227 M-02-DC-04-0227	48,235 * 173,724 * 501,742 * 723,760
Total Department of Housing and Urban Development					10,259,887
Department of Justice Public Safety Partnership and Communit Policing Grants Public Safety Partnership and Communit Policing Grants Total CFDA 16.710	16.710 16.710	2262 2281	N/A N/A	95-CC-WX-0326 95-CC-WX-0326	0 48,531 48,531
Victims of Crime Assistance Victims of Crime Assistance Total CFDA 16.575	16.575 16.575	2449 2479	DPS DP\$	99-811 00-904	30,580 50,763 81,344
Juvenile Accountability Incentive Block Grant Title V: Dolinquency Prevention Program Violence Against Women Formula Grants Local Law Enforcement Block Grants Program Local Law Enforcement Block Grants Program Local Law Enforcement Block Grants Program Bulletproof Vest Partnership Program	16.523 16.548 16.588 16.592 16.592 16.592 16.607	2476 2499 2477 2285 2287 2288 2251	GDFC GDCO N/A N/A N/A N/A	99JAIBG-22 AD020014-001/YI A0-0025-001 2000-LB-BX-2995 2001-LB-BX-4068 00003361	85,807 68,634 1,017 122,953 19,202 57,596 1,473
State Domestic Preparedness Equipment Support Program State Domestic Preparedness Equipment Support Program	16,007 16,007	2382 2383	ADEM ADEM	2002-TE-CX-0142	157,142 115,010
Total Department of Justice					758,708
Department of Transportation Highway Planning and Construction Total CFDA 20:205	20,205	7035	ADOT	CM-TMP-0(17)P	54,455 54,455
State and Community Highway Safety Total CFDA 20,600	20,600 20,600 20,600 20,600	2227 2284 2214 2230	GOHS	2002-A1-010 2001-157OP-004 2002-157B-001 & 008 2003-A1-004	25 71,253 17,750 8,218 97,246
Federal Transit: Formula Grants Federal Transit: Formula Grants Federal Transit: Formula Grants Total CFDA 20.507	20,507 20,507 20,507	3914 6752 6001049		C2001219 AZ-90-X054	436,710 * 627,208 * 522,699 * 1,586,617
Total Department of Transportation					1,738,319
Federal Emergency Management Agency Project Impact: Building Disaster Resistant Communities Assistance to Firefighters Grant Total Federal Emergency Management Agency	83,551 83,554	231 <u>1</u> 2312		EMF-1999-PA-9014 EMW-2002-FG-17647	61 14,706 14,767
Department of Education Twenty-First Century Community Learning Centers Safe and Drug-Free Schools and Communities; State Grants Tolal Department of Education	84.287 84.186	2468 2465		S287B011304	19,563 58,702 78,265
Department of Health and Human Services Consolidated Knowledge Development and Application (KD&A) Program Total Department of Health and Human Services	93,230	2475	GDDP	A9-0079-011	23,504 23,504
Department of Labor Workforce Investment Act Total Department of Labor	17,255	2454/2463/2460/2461	MCHSD	C-22-02-123-2-02	120,489 120,489
Environmental Protection Agency Scourity Planning Grants for Large Drinking Water Utilities Total Environmental Protection Agency	66.476	3201021	N/A	HS-82999801-0	115,000 115,000
Department of the Interior Phoenix Metro/Aqua Fria Recharge Project Tres Rios Project Total CFDA 13.504	15,504 15,504	SROG SROG	N/A N/A	01-FC-32-0010 4-FC-32-00220	13,995 41,331 55,327
Historic Preservation Fund Grants In Aid	15.904	2777	ASP	04-00-15304	143
Loop Road at North Bank-Rio Salado Project	N/A	6763	N/A	6-07-32-L3132	437
Total Department of the Interior					55,906
National Foundation on the Arts and Humanities State Library Program Total National Foundation on the Arts and Humanities	45,310	2442	LAPR	N/A	69,121 69,121
Total Exponditures of Federal Awards					\$ 13,233,965

^{*}Denotes a major program for the year ended June 30, 2003.

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

1. General and Basis of Accounting

The Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting, which is described in Note 1 to the City's basic financial statements. For purposes of the Schedule of Expenditures of Federal Awards, the City of Tempe, Arizona includes all the funds of the primary government as defined by GASB Statement 14, *The Financial Reporting Entity*. The City of Tempe, Arizona administers certain federal financial assistance programs through subrecipients. Those subrecipients are not considered part of the City of Tempe, Arizona reporting entity.

2. Catalog of Federal Domestic Assistance ("CFDA") Numbers

The program titles and CFDA numbers were obtained from the 2001 Catalog of Federal Domestic Assistance.

3. Pass-Through Grantors Reference

The following are non-Federal agencies that have passed through Federal monies to the City of Tempe, Arizona.

ADEM	Arizona Division of Emergency Management
ADOT	Arizona Department of Transportation
ASP	Arizona State Parks
COP	City of Phoenix
DPS	Arizona Department of Public Safety
GDCO	Arizona Governor's Division of Community Outreach
GDDP	Arizona Governor's Division of Drug Policy
GDFC	Arizona Governor's Division for Children
GOHS	Arizona Governor's Office of Highway Safety
LAPR	Arizona Department of Library, Archives and Public Records
MCHC	Maricopa County Home Consortium
MCHSD	Maricopa County Human Services Department

4. Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree to the amounts reported in the related federal financial reports for all major programs.

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